



OFFICE OF THE COUNTY AUDITOR

Haskell N. Arnold, CPA
County Auditor

MEMORANDUM

March 22, 2012

MEMO TO: Mary Kay Sigaty, Chairperson
County Council

THRU: Haskell N. Arnold *HA*
County Auditor

FROM: Lisa L. Geerman *LG*
Assistant County Auditor

SUBJECT: Annual Audits - Howard County Volunteer Fire Corporations

The public accounting firm of CliftonLarsonAllen LLP has completed a cash receipts and disbursements review of each of the volunteer fire corporations for the year ended June 30, 2011. These reports cover the financial transactions that are funded by Howard County. CliftonLarsonAllen LLP reviews bank statements and determines that all funds from the County have been received and that expenditures have been approved by appropriate personnel. Attached please find a report for each of the volunteer fire corporations along with the corresponding management letters. The auditors have met with representatives from each of the volunteer fire corporations.

I have also prepared a summary of the financial transactions of all six volunteer fire corporations (Attachment A). As of June 30, 2011, the six volunteer fire corporations had cash balances ranging from (\$4,206) to \$114,553. In some cases, part of the cash balance had been encumbered for future expenditures. Encumbrances are discussed more fully below.

The auditor's report, in all cases, stated that in their opinion the financial statements presented fairly the cash receipts and disbursements and the cash balances of the County's operating fund of the volunteer fire corporations.

The auditors reported related party transactions at two of the stations. These transactions involved payments (for legitimate station expenses) to members or their relatives for services rendered. Payments were made of \$900 at Elkridge and \$4,864 Fifth District. More information about these payments can be found in the notes to the financial statements. Although the code does not specifically prohibit volunteers from receiving payments for services to the station, the auditors' report is required to notify management of these occurrences because of the greater possibility for a conflict of interest.

During the exit conference with Chief Goddard and Greg Bussink from CliftonLarsonAllen LLP, the year-end balances at the volunteer fire corporations were discussed. A review of encumbrances at the end of the year was done by the auditors. Only those items that had purchase orders, contracts, or other commitment documentation as of June 30, 2011, were considered encumbrances. Encumbrances were \$97,790 at Elkridge, \$35,293 at West Friendship, and \$20,654 at Fifth District. The encumbrances shown are for informational purposes only. At the present time, no request has been made to return unencumbered funds to the County at year-end. Under current procedures, these funds will be expended in the following year.

I am also transmitting copies of these reports to the County Executive and the Fire Administrator for distribution to the volunteer fire corporations and the Fire Board. If you have any questions relating to these reports, please let me know.

LG:audit-HVF063011

cc: Council Members

Ken Ulman, County Executive

William Goddard, Chief, Fire and Rescue Services

Lois Miller, Assistant Administrator, County Administration

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Howard County Volunteer Fire Corporations

For The Year Ended June 30, 2011

| | ELKRIDGE | ELLICOTT CITY | WEST FRIENDSHIP | LISBON | FIFTH DISTRICT | SAVAGE |
|--|------------------|------------------|--------------------|-----------------|-------------------|------------------|
| RECEIPTS | | | | | | |
| Howard County, Maryland | \$489,000 | \$684,550 | \$512,925 | \$307,300 | \$577,983 | \$505,372 |
| Interest | 37 | 82 | 347 | 24 | 229 | 622 |
| Miscellaneous | 0 | 0 | 6,327 | 0 | 2,038 | 2,034 |
| | <u>489,037</u> | <u>684,632</u> | <u>519,599</u> | <u>307,324</u> | <u>580,250</u> | <u>508,028</u> |
| DISBURSEMENTS | | | | | | |
| Contractual services | 216,257 | 306,511 | 258,489 | 180,348 | 324,623 | 289,831 |
| Materials and supplies | 287,019 | 362,925 | 209,411 | 163,872 | 271,010 | 281,367 |
| Miscellaneous | 804 | 7,827 | 9,732 | 3,372 | 0 | 0 |
| | <u>504,080</u> | <u>677,263</u> | <u>477,632</u> | <u>347,592</u> | <u>595,633</u> | <u>571,198</u> |
| INCREASE (DECREASE) IN CASH DURING THE YEAR | <u>(15,043)</u> | <u>7,369</u> | <u>41,967</u> | <u>(40,268)</u> | <u>(15,383)</u> | <u>(63,170)</u> |
| CASH BALANCE - Beginning of year | <u>129,596</u> | <u>2,813</u> | <u>1,568</u> | <u>42,297</u> | <u>36,440</u> | <u>58,964</u> |
| CASH BALANCE - End of year | <u>\$114,553</u> | <u>\$10,182</u> | <u>\$43,535</u> | <u>\$2,029</u> | <u>\$21,057</u> | <u>(\$4,206)</u> |